

Resolution No.: 16-493
Introduced: December 11, 2007
Adopted: April 1, 2008

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Council President at the Request of the County Executive

SUBJECT: Amendment to the FY07-12 Capital Improvement Program and Supplemental Appropriation #7-S08-CMCG-3 to the FY08 Capital Budget
Montgomery County Government
Department of Economic Development
Germantown Business Incubator, Project No. 780701, \$2,200,000

Background

1. Section 307, of the Montgomery County Charter provides that any supplemental appropriation shall be recommended by the County Executive who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a Federal, State or County law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of five Council members. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of six Council members. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may re-approve the appropriation, as if it were an item in the annual budget.
2. Section 302 of the Montgomery County Charter provides that the Council may amend an approved capital improvements program at any time by an affirmative vote of no fewer than six members of the Council.
3. The County Executive recommends the following capital project appropriation increases:

<u>Project Name</u>	<u>Project Number</u>	<u>Cost Element</u>	<u>Amount</u>	<u>Source of Funds</u>
Germantown Business Incubator	780701	Construction	\$1,350,000	State Aid
			<u>850,000</u>	Current Revenue
			\$2,200,000	

4. This increase is needed to cover increased design, demolition, and renovation costs and to leverage non-County funds. The \$3,000,000 currently programmed in the CIP assumes that the existing mechanical and electrical equipment could be reused and retrofitted. During the design development phase, it became clear that the existing ventilation system and water-source heat pumps would need to be demolished and completely replaced, contrary to what the facility assessment report indicated. The mechanical, electrical and plumbing (MEP) team also realized that the entire building would need substantial electrical upgrades to accommodate the new uses not envisioned during the building's construction in the late eighties. The restrooms will also need to be completely redesigned to accommodate increased capacity at the site.
5. The County Executive has requested an amendment to the FY07-12 Capital Improvements Program and a supplemental appropriation in the amount of \$2,200,000 for the Germantown Business Incubator, Project No. 780701, and specifies that the sources of funds will be State Aid and Current Revenue.
6. Notice of public hearing was given, and a public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following action:

The FY07-12 Capital Improvements Program if the Montgomery County Government as amended as reflected on the attached project description form and a supplemental appropriation is approved as follows:

<u>Project Name</u>	<u>Project Number</u>	<u>Cost Element</u>	<u>Amount</u>	<u>Source of Funds</u>
Germantown Business Incubator	780701	Construction	\$1,350,000	State Aid
			<u>850,000</u>	Current Revenue
			\$2,200,000	

This is a correct copy of Council action.



Linda M. Lauer, Clerk of the Council

Attachment to Resolution 16-493 Germantown Business Incubator -- No. 780701

Category General Government
Agency Economic Development
Planning Area Germantown
Relocation Impact None.

Date Last Modified
Required Adequate Public Facility

December 6, 2007
NO

EXPENDITURE SCHEDULE (\$000)

Cost Element	Total	Thru FY05	Rem. FY05	Total 6 Years	FY07	FY08	FY09	FY10	FY11	FY12	Beyond 6 Years
Planning, Design and Supervision	120	0	0	120	0	120	0	0	0	0	0
Land											
Site Improvements and Utilities											
Construction	4,350	0	0	4,350	0	4,350	0	0	0	0	0
Other	730	0	0	730	0	730	0	0	0	0	0
Total	5,200	0	0	5,200	0	5,200	0	0	0	0	0

FUNDING SCHEDULE (\$000)

Current Revenue:											
General	2,450	0	0	2,450	0	2,450	0	0	0	0	0
State Aid	2,750	0	0	2,750	0	2,750	0	0	0	0	0

ANNUAL OPERATING BUDGET IMPACT (\$000)

Program-Staff				320	0	0	80	80	80	80	0
Program-Other				1,080	0	0	270	270	270	270	0
Net Impact				1,400	0	0	350	350	350	350	0

DESCRIPTION

This project is to lease and renovate a 67,000 square foot building at 20271 Goldenrod Lane, Germantown and convert 33,500 square feet into a high-tech incubator featuring approximately 10,500 square feet of laboratory space and 23,000 square feet of office and common space for a mixed use high-tech business incubator in the Germantown area. The remaining 33,500 square feet of the building will be used by Montgomery College for office and classroom space. The building will be master leased either by Montgomery College or the College Foundation, and the incubator space will be sub-leased to the County. In 2002, the Department of Economic Development (DED) investigated the feasibility of extending the success of the Shady Grove Life Sciences Center to other locations in Montgomery County. Studies revealed that a location near the Germantown campus of Montgomery College would be ideal for an incubator site. The recently vacated commercial building located at 20271 Goldenrod Lane presents an opportunity for the County and College to accelerate project implementation through the acquisition of an existing building, and prepare the space for incubator tenants and students. The building has sufficient space to resolve both the County's incubator space needs and the College's need for new classroom and office space at its growing Germantown campus.

Service Area

Germantown, Damascus, and Clarksburg

Capacity

The incubator facility would house 25-30 start-up/early stage bio and information technology firms, initially creating between 75-150 high technology jobs.

JUSTIFICATION

In 2005, DED consulted the Sage Group, an economic consulting firm, to assess the essential business elements needed to develop Montgomery County's technology business community. The Sage Group forecasts that the County will need 40,000 square feet of incubator space to capture just 5% of the estimated 400 plus spin-off technology start-up companies entering the market each year from the 19 Federal Research and Development labs in the County. The Germantown incubator adjacent to Montgomery College and the soon-to-be-completed Germantown Life Sciences Park (GLSP) will, in addition to supplying the County with needed incubator space, also serve as a catalyst for the development of high technology in Germantown, Damascus, and Clarksburg. This market is currently underserved by technology development, with very few biotechnology facilities beyond the Germantown exit along the I-270 corridor. The Germantown incubator facility will also stimulate the expeditious development of the rest of the GLSP, as it will produce a number of graduating companies that will seek expansion space in proximity of the incubator within the next 2-3 years.

Cost Change

Cost increase due to increased design, demolition, and renovation costs.

FISCAL NOTE

Planning and design funds are also drawn from the Life Sciences and Technology Centers CIP No. 789057. Eventually, the facility could create an estimated 480 high paying jobs in Montgomery County every three year cycle throughout the life of the facility. The estimated net revenue contribution to the County resulting from the incubator's operation for the first 18 years exceeds \$27 million in 2006 dollars. The construction and related development costs of the incubator, including clean room facilities, are estimated at \$5.2 million (the full cost is projected at \$6.65 million with \$500,000 coming from DED's FY08 operating budget and \$950,000 coming from Montgomery College). The rent collected from the incubator tenants will pay for most of the incubator space lease, and the required annual operating costs to provide incubator programming including the incubator staff are estimated at \$350,000.

APPROPRIATION AND EXPENDITURE DATA

Date First Appropriation	FY07	(\$000)
Initial Cost Estimate		3,000
First Cost Estimate		
Current Scope	FY07	3,000
Last FY's Cost Estimate		0
Present Cost Estimate		5,200
Appropriation Request	FY08	0
Supplemental Appropriation Request	FY07	2,200
Transfer		0
Cumulative Appropriation		3,000
Expenditures/Encumbrances		0
Unencumbered Balance		3,000
Partial Closeout Thru	FY05	0
New Partial Closeout	FY06	0
Total Partial Closeout		0

COORDINATION

Montgomery College
Maryland Department of Business and Economic Development (DBED)
Maryland Technology Development Corporation (TEDCO)
Maryland Economic Development Corporation (MEDCO)

